

The United States had been actively engaged, together with other donors, in supporting ongoing efforts to reform Palestinian public institutions and increase the accountability of the PA and its financial operations.

Unilateral Declaration of Palestinian Statehood

In the Interim Agreement, both Israel and the PLO agreed that, "Neither side shall initiate or take any step that will change the status of the West Bank and the Gaza Strip pending the outcome of the permanent status negotiations." The sides reiterated that commitment in the Wye River and Sharm el-Sheikh Memoranda. In the trilateral statement issued after the Camp David summit, former Prime Minister Barak and Chairman Arafat agreed to a set of principles to guide their negotiations. Point four of that statement says, "The two sides understand the importance of avoiding unilateral actions that prejudice the outcome of negotiations and that their differences will be resolved only by good faith negotiations." On September 11, 2000, the Palestinian National Council (PNC) decided to defer declaring statehood and agreed to meet again on November 15. On November 15 the PNC, citing Israeli restrictions on travel within the West Bank and Gaza and the ongoing violence, announced that its meeting had been postponed. There was no further official action by the PLO or PA toward a unilateral declaration during the reporting period.

Agreements Signed by the PLO

We have no evidence the PLO has signed any agreements for the benefit of the PA not within the areas allowed in its agreements with Israel (economic agreements; agreements with donor countries for the purpose of implementing arrangements for the provision of assistance to the Council; agreements for the purpose of implementing the regional development plans; and cultural, scientific, and educational agreements). We also have not seen any evidence that Palestinian offices abroad issue Palestinian passports or other Palestinian travel documents.

PA Offices Outside Its Jurisdiction

Under Israeli-Palestinian agreements, the PA may only maintain offices in the areas under its territorial jurisdiction, which do not include Jerusalem. In response to Israeli complaints in previous years, the Palestinians moved several institutions -- including the Vocational Training Center, the Mapping and Geography Department, the Central Bureau of Statistics, the Palestinian Broadcasting Corporation,

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Institute for Professional Training, the Society for Development and Welfare of Jerusalem, and the Youth and Sports Department -- out of Jerusalem, mostly to Ramallah. The PA produced written declarations that offices that remained in Jerusalem did not carry out functions for the PA. Israeli officials welcomed these moves and allowed the remaining offices to remain open. On April 5, 1999, Israeli police distributed orders to close three offices in the Orient House building in East Jerusalem. A court order suspended implementation of the closure acts, and the two sides conducted some discussions to try to reach a solution out of court. The Israeli government had until August 9, 2001 effectively suspended those efforts. However, on August 9, following a suicide bomb attack in Jerusalem that killed 14 Israelis and wounded 140 more, the Israeli government seized and shut down Palestinian offices at Orient House and several other locations in East Jerusalem. Israel later claimed documents found at Orient House and elsewhere showed unauthorized PA activity was carried out at these locations, a charge the Palestinians denied.

Role of the Council

The Palestinian Legislative Council (PLC) continued to make strides toward greater relevance in the PA political process during the reporting period. The PLC called for far-reaching reforms and greater democracy and rule of law. Minister of Finance Salam Fayyad continued to make great strides in increasing transparency and accountability of the PA's finances, including achieving direct deposit of the salaries of all members of the PA security forces. USAID's Democracy and Governance program has continued to provide assistance to the PLC to enhance its ability to act as a legislative body. The United States will be looking for ways to increase the effectiveness of the PLC in support of Palestinian efforts to reform PA institutions.

Miscellaneous PLOCCA Requirements

On June 3, 1998, FBI agents arrested Muhammad Rashid. He is currently being prosecuted in the U.S. District Court for the District of Columbia for the August 11, 1982 bombing of a Pan Am flight from Tokyo to Honolulu. To the best of our knowledge, the parties are still awaiting a trial date to be set by the court.

Abu Abbas was captured in Iraq and died of a heart attack while in Coalition Provisional Authority custody.

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Regarding the issue of PLO compensation to American citizen victims of PLO terrorism, the PLO, among others, has been sued in several cases in the U.S. District Courts. The State Department is not a participant in these legal proceedings, has no relevant information that is not part of the public record, and is not in a position to address the positions of any of the parties to the suit or to comment on the various decisions of the court.

Issues relating to the Hawari group were reported in the January 1994 report. We have no further information.

Prior to the second intifada, the PLO agreed to cooperate with our requests for information available to them that could shed light on the status of U.S. nationals known to have been held by the PLO or factions thereof in the past. Currently, we do not have an ongoing relationship with Palestinian authorities on these matters.

VI. Report on Transfer of Proscribed Weapons to Persons or Entities in the West Bank and Gaza

Section 699 of the Act requires the President to determine whether there have been any knowing transfers of proscribed weapons to Palestinian entities in the West Bank and Gaza; cut off any assistance and sales of defense articles or services to any foreign person or entity making such a transfer; and report to Congress on transfers reviewed under those provisions.

Palestinian terrorist groups and their sympathizers continued to smuggle illegal weapons into the West Bank and Gaza Strip. Some weapons were probably smuggled through underground tunnels located along the Egypt-Gaza border. Other smuggling routes likely included by sea and overland by car. Some PA security elements in Gaza likely assisted smugglers and local manufacturers of some weapons. There is no indication that the Egyptian or Jordanian governments were complicit in the smuggling of weapons into the West Bank or Gaza.

Some smuggling attempts were thwarted, but many others probably were not. The southern Gaza border town of Rafah continues to be a focal point of smuggling activity, placing civilians there at great risk. Palestinian civilians often have been caught in the crossfire as armed Palestinian militants have sought to repel Israeli Defense Force (IDF) troops looking for tunnels, destroying discovered tunnels, or conducting other military operations along the densely populated Rafah border.

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The IDF and the government of Egypt continued moving against these Rafah tunnels throughout the reporting period. In May, the IDF mounted Operation Rainbow, its largest operation in Gaza since September 2000 (the beginning of the current intifada), in an effort to arrest militants, and find and destroy smuggling tunnels. The operation in the Rafah area found three tunnels, according to Israeli reports; but resulted in the deaths of at least 43 Palestinians, and the destruction of over 100 structures, leaving over 1,200 Palestinians homeless.

Cooperation against smuggling remains strong between Israel and Jordan. While cooperation between Israel and Egypt in countering weapons smuggling has improved, the discovery of a number of tunnels since the current intifada began in September 2000 is evidence that more needs to be done. Cooperation against smuggling is generally poor and sporadic between Israel and the PA. Smuggling continued throughout the reporting period, although getting a precise figure for the quantity of weapons being smuggled into Rafah is difficult.

No basis exists to determine that smugglers have official support from any foreign person or entity to which the United States assistance might be given or defense articles or services sold by the United States.